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DEC 22 2006

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION
INDIANA UTILITY
REGULATORY COMMISSION

IN THE MATTER OF THE PETITION)
OF THE CITY OF PERU UTILITIES)
ELECTRIC DEPARTMENT FOR)
APPROVAL OF A NEW SCHEDULE OF)
RATES AND CHARGES)

43200

CAUSE NO. _____

PETITION

City of Peru Utilities Electric Department ("Petitioner") respectfully petitions the Indiana Utility Regulatory Commission (the "Commission") for approval of a new schedule of rates and charges for electric service. In support thereof, Petitioner shows the Commission as follows:

Nature of Petitioner and Regulatory Status

1. The City of Peru, Indiana is a municipality, owning and operating its own electric utility, with offices located at 335 East Canal Street, P.O. Box 67, Peru, Indiana 46907-0067.

Petitioner is authorized to and is engaged in the furnishing of electricity to approximately 10,835 residential, commercial and industrial consumers located within its assigned service area.

2. Petitioner collects rates and charges for the electric services it renders, which rates and charges are subject to the approval of the Commission and the Common Council of the City of Peru, Indiana pursuant to IC 8-1.5-3-8. Petitioner is subject to the jurisdiction of the Commission in the manner and to the extent provided by the laws of the State of Indiana, including IC 8-1.5-3-1 et seq. and certain provisions of the Public Service Commission Act, as amended.

3. Petitioner is a member of the Indiana Municipal Power Agency ("Agency") and purchases all of its electric power and energy requirements from the Agency pursuant to the terms of a Power Sales Contract.

Petitioner's Present Rates

4. Petitioner placed into effect its current schedule of rates and charges following the Commission's approval thereof in Cause No. 39357 (Order dated June 3, 1992, as amended by Nunc Pro Tunc Order dated June 24, 1992).

5. Pursuant to IC 8-1.5-3-8, Petitioner's rates and charges for electric service "must be non-discriminatory, reasonable, and just." Petitioner is further obligated by law to maintain rates and charges for services rendered to "produce an income sufficient to maintain the utility property in a sound physical and financial condition to render adequate and efficient service." (IC 8-1.5-3-8(d)).

6. Petitioner's existing rates and charges for electric service result in the collection of annual revenues from Petitioner's customers which do not meet Petitioner's requirements for reasonable and just rates and charges for services under IC 8-1.5-3-8. Petitioner's existing rates and charges are and will be too low and insufficient to:

“(1) Pay all the legal and other necessary expenses incident to the Operation of the utility, including:

- (A) Maintenance costs;
- (B) Operating charges;
- (C) Upkeep;
- (D) Repairs;
- (E) Depreciation; and
- (F) Interest charges on bonds or other obligations, including leases;

(2) Provide a sinking fund for the liquidation of bonds or other obligations, including leases;

(3) Provide a debt service reserve for bonds or other obligations, including leases, in an amount established by the municipality, not to exceed the maximum annual debt service on the bonds or obligations or the maximum annual lease rentals;

(4) Provide adequate money for working capital;

(5) Provide adequate money for making extensions and replacements to the extent not provided for through depreciation in subdivision (1); and

(6) Provide money for the payment of any taxes that may be assessed against the utility.”

Further, Petitioner’s existing rates and charges do not permit Petitioner to earn a reasonable return on Petitioner’s utility plant, which is used and useful to provide service. Therefore, Petitioner’s rates and charges presently in effect are and will be unlawful under IC 8-1.5-3-8.

7. Petitioner must increase its annual revenues and income produced from its rates and charges for electric services so that it can continue to operate and maintain its electric utility system in satisfactory physical and financial condition to render reasonably adequate and efficient service to its customers and to meet the requirements for reasonable and just rates and charges for services under IC 8-1.5-3-8(c), (d) and (e).

Petitioner’s Proposed Rates

8. Petitioner proposes, subject to the authorization and approval of this Commission, to cancel its existing schedule of rates and charges for electric service and to file with the Commission, in lieu thereof, a new schedule of rates and charges, which will provide reasonable and just charges for services within the meaning of IC 8-1.5-3-8. Such proposed schedule of rates and charges will be accompanied by the prepared direct testimony and exhibits of Petitioner’s witnesses and will be filed with the Commission prior to the commencement of public hearings in Petitioner’s case-in-chief.

9. Petitioner's proposed schedule of rates and charges will roll-in the most current Agency base rate-related tracking factor governing its purchases of electricity from the Agency.

Test Year and Request For Prehearing Conference

10. In accordance with 170 IAC 1-1.1-9(b) of this Commission's Rules and Regulations, Petitioner proposes that the 12-month period ended March 30, 2006, be the test year fixed by the Commission, and that the cut-off date for any required adjustments that are reasonably known, fixed and measurable, be 12 months following the end of the test year, except for certain taxes or payments in lieu thereof.

11. The names and address of Petitioner's attorneys in this matter are Michael B. Cracraft and Steven W. Krohne, Hackman Hulett & Cracraft, LLP, 111 Monument Circle, Suite 3500, Indianapolis, Indiana 46204-2030. Said attorneys are duly authorized to accept service of papers in this Cause on behalf of Petitioner.

12. In order to expedite the proceedings in this Cause and to avoid unnecessary expense to Petitioner and its customers, Petitioner respectfully requests that a date be promptly fixed for a Prehearing Conference in this matter to establish a schedule for prefilings testimony and exhibits and to establish a hearing date in this Cause.

WHEREFORE, Petitioner respectfully prays that the Indiana Utility Regulatory Commission make such investigation and hold such hearings as it shall deem necessary and advisable in this proceeding and thereafter make and enter an order in this Cause:

- (i) Authorizing and approving the filing by Petitioner with this Commission and placing into effect of new schedules of rates and charges for electric service; and
- (ii) Making such further orders granting such other and further relief as the Commission may deem appropriate and proper in the premises.

DATED this 21 day of December, 2006.

PERU UTILITIES ELECTRIC DEPARTMENT

By: Roger Merriman
Roger Merriman, General Manager

STATE OF INDIANA)
) SS:
COUNTY OF MIAMI)

Roger Merriman, being first duly sworn upon oath, deposes and says that he is the General Manager, City of Peru Utilities; that in such capacity he has executed the above and foregoing Petition and has authority so to do; that he has read said Petition and knows the contents thereof; and that the statements and representations therein contained are true to the best of his knowledge, information and belief.

Roger Merriman
Roger Merriman, General Manager
City of Peru Utilities

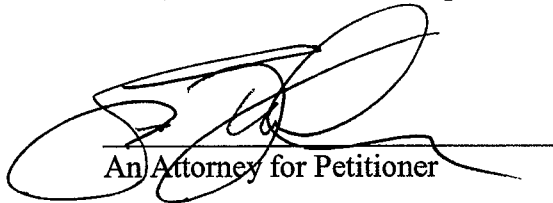
Subscribed and sworn to before me, a Notary Public in and for said County and State, this
21 day of December, 2006.

My Commission Expires:
8-24-2009

Leah M. Freeman
Notary Public
Printed: 12-21-2006
County of Residence: Miami

CERTIFICATE OF SERVICE

I hereby certify that on this 22nd day of December, 2006 a copy of the foregoing
“Petition” has been served by personal delivery to the Office of Utility Consumer Counselor,
Government Center North, 100 North State Street, Room N501, Indianapolis, IN 46204.



An Attorney for Petitioner

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City of Peru Utilities